State of Tennessee
Group Insurance Program

Optional Term Life
Optional Universal Life

SEPTEMBER 2003

EMPLOYEE HANDBOOK

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OPTIONAL LIFE INSURANCE

This booklet provides information about optional term life insurance and optional universal life insurance available to State of Tennessee employees. Employees may enroll in one or both options.

This booklet is a summary of the coverages and is NOT a certificate of insurance. The actual provisions of each type of coverage are governed by a group master certificate. Individual certificates for the optional term life and the optional universal life are issued to employees and spouses who enroll.

The information in this booklet is divided into three sections. The first section contains provisions that are common to both the optional term and optional universal life insurance. The second section explains the provisions of the optional term life and the third section explains provisions of the optional universal life.

Provident Life and Accident Insurance Company, a subsidiary of UnumProvident Corporation of Chattanooga, Tennessee, underwrites both options. If you have any questions regarding the optional term or the optional universal life insurance after you have read this booklet, contact UnumProvident at its toll free number, 1-800-635-5597 - 8:00 A.M. to 8:00 P.M. eastern time, Monday - Friday, or by writing:

UnumProvident Corporation
Client Services
Voluntary Benefits Division
State of Tennessee Team
One Fountain Square
Chattanooga, TN 37402

GENERAL PROVISIONS OF OPTIONAL TERM AND OPTIONAL UNIVERSAL LIFE INSURANCE

Who Can Elect Coverage?

You are eligible to enroll in the optional term life or universal life insurance program if you are:

- a regular full-time employee of the State of Tennessee and scheduled to work at least thirty (30) hours per week, or
- a seasonal or part-time employee with 24 months of prior service and certified by an appointing authority to work at least 1,450 hours per fiscal year

You do not have to be enrolled in the State sponsored health insurance to be eligible for optional term or optional universal life insurance.

If you are an eligible employee married to another eligible employee, then you cannot be insured as a dependent spouse in either the optional term life or optional universal insurance. You can only obtain coverage as an employee.

What About Dependents?

For detailed information on eligibility for dependents, please refer to the Insurance Employee Handbook published by the Division of Insurance Administration. You may obtain a copy of the handbook from your agency's insurance preparer. If the dependent meets the State's eligibility criteria they are eligible from 24 hours old and may remain covered until the end of the month in which they turn 24 years old. Dependent verification is audited annually for dependents ages 19-24 years of age. Incapacitated children (mentally or physically incapable of earning a living) may continue to be insured beyond age 24 as long as the incapacity existed before their 24th birthday and they were already insured under the life insurance for dependent children. Dependent children will not be covered if married or in military service on a full-time basis.

If both parents are State employees and are eligible to elect optional life insurance, ONLY one parent may cover the eligible children under the child term rider.

What About New Employees?

New employees are eligible to enroll for the guaranteed issue (no health questions required) amount of up to three (3) times their annual base salary (excluding overtime and longevity) during the first full calendar month of employment. For simplified issue (health questionnaire required) amount, you may enroll up to five (5) times your annual base salary, with $300,000 maximum issue amount. If you choose not to enroll during the initial eligibility period, the only other time you can enroll will be during the annual enrollment/transfer period held in the fall each year and you will be required to complete a supplemental application when enrolling for any amount of coverage.

If you apply for an amount of coverage greater than the guaranteed issue amount, which is three (3) times your annual base salary, the additional coverage will not become effective until UnumProvident has determined you are insurable.

When Does Coverage Take Effect?

New Employee

If you enroll in the optional universal life insurance or optional term life insurance as a newly eligible employee, your coverage will become effective the first day of the month after you have completed three (3) full calendar months of employment.

For example, if you were hired on January 15, your enrollment deadline would be February 28. Your coverage would become effective on May 1, which is two months after March 1.

If you apply for an amount of coverage greater than the guaranteed issue amount, which is up to three times your annual base salary, the additional coverage will not become effective until UnumProvident has determined you are insurable.

Annual Enrollment/Transfer Period

If insurance coverage is approved during an annual enrollment/transfer period, the additional or new amounts of coverage will become effective on January 1, February 1 or March 1 of the next year. UnumProvident will notify you AND your agencies insurance preparer if your application for coverage is denied. Additional medical information may be requested by UnumProvident.

Actively at Work Requirement

For insurance coverage to be effective, you must be actively at work on the date your application for coverage is signed AND on the date your coverage is to become effective. Actively at Work is defined as the active full-time performance of all the customary duties of the employee's occupation at the employer's usual place of business or places(s) that the employer's normal course of business requires. This requirement shall be waived for employees who are within their eligibility period and injured while performing job related duties and approved by Division of Claims.

A person will be considered Actively at Work on each day of paid vacation or scheduled day off on which he/she is not totally disabled, if he/she was Actively at Work on his/her last scheduled working day.

If you are not at work on the above mentioned dates, the coverage will not take effect until you return to work provided you return to active work within 180 days from the date that the insurance would have started. If you do not return to active employment within 180 days, you must wait until the next annual enrollment/transfer period to re-apply for coverage.

The Actively at Work Requirements also apply when your amount of coverage is being increased or when you are adding coverage.

When Does Coverage Become Effective for Dependents?

If your dependents are enrolled at the same time you enroll, their insurance will be effective on the same date as yours.

If a new dependent is added within 31 days after becoming eligible, the effective date of coverage will be the latest of the following: the date UnumProvident approves the application to insure the dependent; 24 hours after the birth of the child; or the date of the marriage.

If a dependent is enrolled during the annual enrollment/transfer period, the dependent's coverage will become effective on January 1, February 1 or March 1 of the following year.

Actively at Work Requirement for Dependents

On the date your dependent's coverage should become effective, the coverage will not take effect if you (the employee) is not actively at work or if the dependent is unable to engage in normal activities, because he/she is:

(1) medically confined on the date the insurance would take effect;

(2) regularly treated by a home health care agency under a plan of treatment established and approved by a doctor; or

(3) receiving or entitled to receive disability or "sick pay" income from any source.

Coverage will start when your dependent resumes his/her normal activities, provided that normal activities are resumed within 180 days after the date that insurance coverage would have started. If normal activities are not resumed within 180 days, then the dependent must wait until the next annual enrollment/transfer period to re-apply for coverage. Additional information is outlined in the employee certificate.

How Do I Enroll?

New Employee

As a new employee you may enroll in one or both optional life insurances with coverage up to three (3) times your annual base salary WITHOUT providing evidence of insurability. This opportunity is given only to new employees, and the employee must apply by his/her first full calendar month of employment. If you do not enroll at this time, you cannot apply for coverage until the next annual enrollment/transfer period. Evidence of insurability would be required from you and any dependents you want to cover.

Annual Enrollment/Transfer Period

An annual enrollment/transfer period for both types of optional life insurance will begin in the fall of each year.

To apply for coverage or for additional amounts of coverage during the annual enrollment/transfer period, Employees, Spouses and Children MUST ANSWER HEALTH QUESTIONS. There is no guarantee that you will be approved for coverage. UnumProvident will determine if you are insurable.

How Much Coverage is Available?

Employee

The amount of coverage you may elect is determined by your annual base salary (not including overtime pay, longevity, etc.) as of the date you sign your enrollment application.

For the optional life insurance coverage there is a guaranteed issue amount, a maximum issue amount and a minimum issue amount. If you elect both insurances, then you can combine amounts of coverage.

(1) Guaranteed Issue is the amount of insurance coverage you may elect without having to complete a supplemental application. You may elect up to three (3) times your annual base salary, regardless of your medical history. This amount is available only to newly eligible employees.

(2) Maximum Issue is the largest amount of insurance coverage you can obtain. You may elect up to (5) times your annual base salary, subject to an overall limit of $300,000. To obtain any amount of insurance which is more than your guaranteed issue amount, you must complete a Supplemental Application for Optional Life Insurance

(M-95202) to provide evidence of insurability and be approved for coverage by UnumProvident.

(3) Minimum Issue is the least amount of coverage you can obtain. The minimum issue amount is $5,000 per plan.

(4) Combination of Coverage. If you elect both the optional universal life insurance and the optional term life insurance, your combined amount of coverage may not exceed three (3) times your annual base salary for guaranteed issue or five (5) times for maximum issue not to exceed the overall limit of $300,000.

The optional universal life insurance is available in $1,000 increments. The optional term life insurance is available in $5,000 increments.

Spouse

Coverage for your spouse can be $5,000, $10,000 or $15,000. If your annual base salary is over $15,000 and your spouse is UNDER age 55, you can elect spouse coverage equal to one (1) times your annual base salary to a maximum of $30,000.

If your spouse has been hospitalized, advised to seek medical treatment, or received disability benefits during the last six months, you must complete a Supplemental Application for Optional Life Insurance (M-95202).

Child

Dependent children can be insured for $2,500 or $5,000 until the age of 24 and as long as they remain eligible.

Dependent children can be covered only by one parent if both parents are State employees.

Coverage for dependent children cannot be a stand-alone certificate, but is part of either an employee or spouse certificate, but not both. If an employee purchases coverage, children's term rider must be attached to the employee certificate and not the spouse certificate. If an employee or spouse certificate containing a children's term rider is cancelled, coverage for the children is cancelled as well.

Calculating Guaranteed and Maximum Issue Amounts

You can calculate your guaranteed and maximum issue amounts by following these steps:

(1) Determine your annual base salary by multiplying your monthly salary by 12 (months) and round off to the nearest dollar.

(2) To calculate the GUARANTEED ISSUE AMOUNT, multiply your annual base salary from step 1 by 3, then round off that number to the next higher $5,000 increment.*

(3) To calculate your MAXIMUM ISSUE AMOUNT, multiply your annual base salary from step 1 by 5, then round off that number to the next higher $5,000 increment.*

For Example:

Monthly Salary	1,112.66	
(1) Multiply by 12	X 12	
Annual Base Salary	$13,351.92	
Round Off to Next Dollar	$13,352.00	
(2) Multiply by 3	X 3	
	$40,056.00	
Round Off to Next Higher $5,000	$45,000.00	Guaranteed Issue Amount
Annual Base Salary	$13,352.00	
(3) Multiply by 5	X 5	
	$66,760.00	
Round Off to Next Higher $5,000	$70,000.00	Maximum Issue Amount

This example shows that an employee whose monthly salary is $1,112.66 can elect the guaranteed issue amount of $45,000. The largest amount of coverage the employee can elect through maximum issue is $70,000. If the employee elects any amount between $45,000 and $70,000, the employee must complete a Supplemental Application for Optional Life Insurance (M-95202) and receive approval from UnumProvident

*Numbers equally divided by 5 are not rounded off. (For example: $30,000, $45,000, etc.)

MISCELLANEOUS PROVISIONS

Payroll Deduction

Both plans of the optional life insurance program are being offered on a convenient payroll deduction basis.

Leave of Absence Without Pay

If you are not receiving a paycheck because you are on a leave of absence without pay, then your premium is not being paid through State payroll deduction. Notify your insurance preparer before going on a leave of absence without pay to make arrangements to pay your missed deductions.

Waiver of Premium

The optional life insurance includes a waiver of premium provision. If you or your spouse become totally and permanently disabled before age 60 and remain disabled for nine (9) consecutive months, you will no longer be required to pay the insurance premium to maintain the insurance coverage for the disabled insured. The approval of whether you or your spouse qualify for waiver of premium is made by UnumProvident. You or your spouse may continue under the waiver of premium provision as long as you or your spouse remain totally disabled and annually provide satisfactory proof of disability. Waiver of premium applies only to coverage for you or your spouse and does NOT apply to coverage for any dependent child. To be eligible for the waiver, you must apply to UnumProvident within one year of the date of the disability.

Advance Benefit Rider

The Advance Benefit Option Rider provides up to 50% of death benefit (subject to $100,000 maximum benefit) when a licensed physician diagnoses life expectancy of six months or less.

The Advance Benefit Rider is available with universal life insurance and term life insurance for both employee and spouse at no additional cost.

Beneficiaries

You may elect one or multiple beneficiaries. If you wish to change your beneficiary, you may do so by completing the Customer Service Request Form (L-52490) which can be obtained from your agency's insurance preparer. All changes of beneficiaries must be sent directly to your agency's insurance preparer, not UnumProvident.

Suicide Exclusion

If the insured person dies by suicide within two (2) years from the certificate issue date, the proceeds payable by UnumProvident will be limited to the premiums paid. For any increases in coverage elected by the employee or dependent, the two-year suicide exclusion period will be measured from the effective date of the increase.

Address/Name Changes

It is important that UnumProvident has your current address because of cash values or premiums that may be refundable to you. This information is sent to UnumProvident through our weekly updates from the Tennessee Insurance System. Please notify your agency's personnel office of any address or name changes.

Cancellation of Coverage

You may cancel your coverage at any time by completing the Customer Service Request Form (L-52490) available from your agency's insurance preparer. This written notice must be submitted to UnumProvident 30 days prior to the effective date of cancellation.

60 Days Notice

If a premium has not been paid in 60 days, either through payroll deduction or if you are on direct bill, the coverage under the optional term life insurance will terminate. Coverage under the optional universal life insurance will continue as long as the accumulated cash value will cover the monthly cost of insurance. When the cash value will no longer cover the monthly cost of insurance, the optional universal life insurance will terminate.

Decrease of Coverage

During the annual enrollment/transfer period you also may decrease your amount of coverage.

What Happens if my Employment Ends?

If you are no longer employed by the State, payroll deduction will not be available. At this time, you will be given the opportunity to continue all or part of your optional life insurance on a direct billing basis or to convert to an individual policy with UnumProvident.

Termination of Insurance

Your insurance will terminate:

IF you stop paying the monthly premium;
IF you cease to be an eligible employee/dependent; or
IF the optional life insurance plan is discontinued by the State of Tennessee or UnumProvident.

If you stop "active" work for any reason, UnumProvident will contact you directly at your last known address to offer continuance of your coverage by direct billing.

Termination of Insurance for Dependents

The dependent optional life insurance WILL terminate:

IF you stop paying the monthly premium;
IF you cease to be an eligible employee;
IF your (the employee's) optional life insurance terminates;
IF you are approved for extension of optional life insurance due to total disability;
IF the optional life insurance plan is discontinued by the State of Tennessee or UnumProvident; or
IF the dependent is no longer eligible.

If your dependent child/children become ineligible for coverage because of the plan's eligibility rules (i.e. marriage, divorce, reaching maximum age, etc.), the dependent will have 31 days to convert to a universal life insurance policy. In this case, you must notify your agency's insurance preparer when a dependent is no longer eligible. Failure to notify UnumProvident of your dependent's change in eligibility status will result in termination of coverage and a forfeiture of the conversion privilege. If the dependent child/children do not wish to convert, coverage will end on the last day of the month of ineligibility.

OPTIONAL TERM LIFE FOR EMPLOYEES AND SPOUSE

The optional term life insurance provides a death benefit only, with NO cash accumulation features. Optional term life insurance provides coverage from month to month if the premium is paid. The premiums increase as the participant's age increases. Coverage for a dependent spouse may be elected even if the employee does not participate.

Death Benefit

The death benefit is the same as the amount of insurance coverage you elect. The death benefit will be paid to the named beneficiary if the covered individual dies provided that the insurance coverage was in force at the time of death.*

How Do I Enroll?

New Employee/Spouse

If you want to apply for the optional term life insurance, you must complete an Optional Term Life Insurance Application (M-95201). The application must be submitted to your agency's insurance preparer by the end of your first full calendar month of employment. If you do not apply during this initial enrollment period, you cannot apply for coverage until the next annual enrollment/transfer period.

Annual Enrollment/Transfer Period

During an annual enrollment/transfer period, you may apply for optional term life insurance coverage:

(1) if you did not elect coverage on yourself and/or your dependent(s) when first eligible;

(2) if you did not elect the maximum amount of coverage on yourself and/or your dependent(s) when first eligible; or

(3) if you did not add a new dependent when the dependent was first eligible.

* Subject to the two-year suicide exclusion provision.

How Do I Enroll My Dependents?

If you have dependents that you want to insure with optional term life insurance, you should enroll them when they are first eligible. Evidence of insurability will NOT be required for a dependent spouse* and/or children who are enrolled within 31 days after becoming eligible (as in the case of marriage, birth or adoption, for example). At a later date, if you wish to add or discontinue coverage on either the dependent spouse and/or children, you must contact your agency's insurance preparer and complete the appropriate forms.

If you do not elect coverage on your dependent spouse and/or children within this 31-day period, you must wait until the next annual enrollment/transfer period. At that time the dependents must provide evidence of insurability to UnumProvident with a Supplemental Application for Optional Life Insurance (M-95202). This supplemental application form must be sent with the Optional Term Life Application (M-95201).

Continuation of Coverage

If you are enrolled in optional term life insurance, UnumProvident will contact you directly if you terminate employment to inform you of your options. You will receive a letter at your last known home address approximately 30 days after your last premium payment. If your dependent spouse or child becomes ineligible to maintain coverage, submit a Customer Service Request Form (L-52490) to UnumProvident, which is available from your insurance preparer.

Spouse coverage is a stand-alone certificate and can be directly billed or converted to a individual direct-pay universal life insurance policy even if the employee coverage is cancelled.

Child term coverage attached to a spouse optional term life certificate will cancel automatically if the spouse's coverage is canceled. Child term coverage can be converted to an individual direct-pay policy when the child reaches age 24. You must submit a Customer Service Request Form (L-52490) to UnumProvident, which is available from your insurance preparer.

* Spouses who have been hospitalized, advised to seek medical treatment, or received disability benefits in the six months prior to enrollment will be required to submit evidence of insurability by completing a Supplemental Application for Optional Life Insurance.

Age 70 Certificate for Employee or Spouse
As a participant in optional term life insurance, you will have the following conversion options depending on your age when you terminate employment.

(1) If you are younger than age 70, you may:

  (a) continue with this insurance by paying the premiums directly to UnumProvident. If you elect this option your coverage will automatically terminate the last day of the month of your 70th birthday. You WILL NOT be given the opportunity to convert to another policy at age 70.

  (b) convert to a universal life insurance policy which terminates automatically at age 95.

(2) If you are age 70 or older but younger than 85, you may convert to a universal life insurance policy.

(3) If you are age 85 or older, you will not be offered any conversion options.

Premiums

Premiums for Employee or Spouse
Your premiums in the optional term life insurance are based upon your age. The premiums automatically will increase as your age increases. The premium increase will occur on your December 31 paycheck and become effective on January 1 of the year following your change in age bracket.

The premiums for optional term life coverage are listed in this booklet that will be effective beginning January 1, 2000. A 30-cent administrative charge will be added to the monthly premium.

New Employee/Spouse
As a new employee/spouse, you will pay a monthly premium based on your age as of January 1 of the year coverage is effective.

Annual Enrollment/Transfer Period
If you apply for coverage during the annual enrollment/transfer period, your premium will be based on your age on January 1 of the year coverage is effective.

Premiums for Dependent Children

Premiums for your dependent children are a flat rate for all eligible children and do not increase with age. The cost per month is 50 cents for $2,500 in coverage or $1 for $5,000 in coverage. No administrative fee is charged for dependent children's coverage.

Optional Term Life Insurance

Monthly Premium Rates Per $1,000 of Face Amount, Effective January 1, 2000

Column A Age	Column B Monthly Rate
Under 20	$0.074
20 – 24	0.074
25 – 29	0.074
30-34	0.079
35-39	0.101
40-44	0.152
45-49	0.259
50-54	0.434
55-59	0.676
60-64	1.053
65-69	1.747
70-74	2.435
75-79	3.742
80 and over	6.763

Employee or Spouse Coverage

1. In Column A, find your age group. For premium purposes, your age is based on your age as of January 1 of the year coverage is effective.
2. Find the cost per thousand dollars of insurance in Column B, which corresponds with your age group in Column A.
3. Enter this figure in "Cost" below:
4. Enter the number of thousands of dollars of optional term life insurance that you have chosen in the "Amount" blank below.
5. Multiply the number in "Cost" by the number in "Amount" and add

the 30-cent administrative charge. The total will be the amount deducted from your paycheck every month for your optional term life insurance.

$ ______	x	______	+ 0.30 =	$ ______
Cost		Amount (in thousands)	Adm. Cost	Monthly Cost

Dependent Children Coverage

1. You can elect either $2,500 or $5,000 in coverage on your eligible dependent children.
2. The cost per month regardless of the number of dependent children covered is:

   $ .50 for $2,500 in coverage;

   $1.00 for $5,000 in coverage.

   (There is no administrative charge for dependent children's coverage.)
3. The amount in the "monthly cost" will be deducted from your paycheck every month to pay for your dependent children's coverage.

Total Costs

To find your total monthly premium deduction, enter the total "monthly cost" figures from the above calculations and add.

Employee Monthly Cost	$ __________
Spouse Monthly Cost	$ __________
Dependent Children Monthly Cost	$ __________
Total Monthly Premium (deducted from your paycheck)	$ __________

Optional Term Life Insurance—
EXAMPLE

John is a 40-year-old new employee, who earns $11,000 per year. He wants $20,000 of life insurance coverage. (Because he does not want more than three times his annual base salary, he will not need to complete a medical history report. If John had wanted more than $35,000 of insurance, he would have been required to complete a Supplemental Application and wait for approval from UnumProvident for the amount above $35,000.) John's cost is as follows:

I . John finds his age in Column A. He is in the 40-44 age bracket.

2. In column B, John finds his cost is $0.152 per thousand. He writes this amount in the "Cost" blank.
3. He enters 20 for $20,000 of coverage in the "Amount" blank.
4. John multiplies the "Cost" by the "Amount" and adds the $0.30 administrative charge to find his monthly cost.

$ 0.152	x 20 =	3.04	+ 0.30 =	$3.34
Cost	Amount		Adm. Charge	Monthly Cost

If John elects $10,000 of coverage on his 29-year-old wife, the cost is as follows:

1. John finds his wife's age in Column A. She is in the 25 – 29 age bracket.
2. In Column B, John finds the cost is $0.074 per thousand. He enters $0.074 in the "Cost."
3. John enters 10 for $10,000 of coverage in "Amount."
4. John multiplies the "Cost" by the "Amount" and adds the $0.30 administrative charge to find his monthly cost.

$ 0.074	x 10 =	0.74 +	0.30 =	$1.04
Cost	Amount		Adm. Charge	Monthly Cost

If John elects coverage on his three (3) dependent children, the cost is as follows:

1. John decides to elect $5,000 coverage on his dependent children.
2. He knows the coverage will cost $1 per month, and there is no administrative fee to add to his monthly cost.

Total Costs

For John to determine his total monthly premium for coverage on himself, his wife and children, he would add the amounts for each of the three types of coverage he elected.

Employee Monthly Cost	$3.34
Spouse Monthly Cost	$1.04
Dependent Children Monthly Cost	$1.00
Total Monthly Premium	$5.38

OPTIONAL UNIVERSAL LIFE INSURANCE FOR EMPLOYEES AND SPOUSE

Optional universal life insurance offers a death benefit as well as cash accumulation, a loan provision and paid-up features. The premium rates are higher than the optional term life insurance. The optional universal life insurance has level premiums the premiums do not increase as the insured's age increases.

Death Benefit

Upon your death, your beneficiary will receive the amount of optional universal life coverage you elect, less any outstanding debt, provided that the insurance coverage was in force at the time of death.*

How Do I Enroll?

New Employee/Spouse

If you want to apply for optional universal life, you must complete an Optional Universal Life Application (M-95090). The application must be submitted to your agency's insurance preparer by the end of your first full calendar month of employment. If you do not apply during this initial enrollment period, you cannot apply for coverage until the next annual enrollment/transfer period.

Annual Enrollment/Transfer Period

During an annual enrollment/transfer period you may apply for optional universal life insurance coverage:

(1) if you did not elect coverage on yourself and/or your dependent(s) when first eligible; or

(2) if you did not elect the maximum amount of coverage on yourself and/or your dependent(s) when first eligible; or

(3) if you did not add a new dependent when the dependent was first eligible.

How Do I Enroll My Spouse?

If you have dependents that you may want to insure in optional life insurance, you are advised to do this when they first become eligible to enroll.

At a later date, if you wish to add or discontinue coverage for either your

* Subject to the two-year suicide exclusion provision.

spouse and/or children, you must contact your agency's insurance preparer for the appropriate forms.

Evidence of insurability will NOT be required for spouse* and/or children who are enrolled within 31 days after becoming eligible (in the case of marriage, birth or adoption, for example).

Cash Accumulation and Interest Credit Features

You will begin accumulating cash value during the first month after the effective date of coverage. The interest will be credited at an effective date equal to the greater of:

a) calendar years 2000 to 2002 - 6.31%
calendar year 2003 - 5.80%
calendar year 2004 - as stated in the amendment to your certificate; or
b) an interest rate equal to the discount rate for a six-month Treasury Bill plus 0.95%; or
c) a higher rate determined by the insurance company.

Loan Feature

You may borrow a portion of the accumulated cash value as outlined in your certificate. If you die and have an outstanding loan balance, the amount of the loan balance and any accrued interest outstanding will be subtracted from the death benefit prior to payment to your beneficiary. You should remember that borrowing against the cash value may reduce future cash value growth. To use the loan feature, obtain a Customer Service Request Form (L-52490) from your agency's insurance preparer. Loan interest will accrue at 7.500% per annum and will become a part of the debt as and when it accrues. A maximum of $5,000 can be requested by calling UnumProvident at 1-800-635-5597 - 8:00 A.M. to 8:00 P.M. eastern time.

Annual Statement

Participants in universal life insurance receive an annual statement. …The annual statement lists premiums paid, expense charges, cost of insurance charges, interest credits, surrender charges (when applicable), loan balances (when applicable), cash surrender values and the present death benefit.

* Spouses who have been hospitalized, advised to seek medical treatment, or received disability benefits in the six months prior to enrollment will be required to submit evidence of insurability by completing a Supplemental Application for Optional Life Insurance.

Paid up Feature

The optional universal life insurance coverage is designed to provide that the amount of insurance you elect will be approximately 90% paid up at age 65 (or 75% paid up 10 years after the effective date if you are older than age 55 when you elect coverage). This paid up target is based on an interest rate of approximately 6% per annum for the duration of an individual participation. Under those circumstances, you could stop paying premiums at age 65 and have paid up coverage equal to approximately 90% of the face amount of the optional universal life insurance you originally elected. If your coverage was issued after age 55, you could stop paying premiums after 10 years and have paid up coverage equal to approximately 75% of the face amount of the optional universal life coverage you originally elected if 6 percent interest has been earned throughout the life of the plan.

If interest crediting rates are above 6%, the portion of the insurance that is paid up may be greater than 90%, or the coverage may be 90% paid up sooner than age 65. However, if interest crediting rates are below 6%, the portion of the insurance elected that is paid up may be less than 90% at age 65. The above assumes no outstanding loan balance.

Surrender Charges

Surrender charges are subtracted from your cash value if you terminate your coverage during the first five (5) years that your optional universal life coverage is in force. These charges are calculated as a percentage of your annual premium and are as follows:

Certificate Year	Surrender Charge as Percent of Annual Premium
1	40%
2	40%
3	40%
4	40%
5	20%

For example, you may decide to terminate your coverage after the second year. You are paying an annual premium of $300 for optional universal life insurance and with interest you could have a cash value of $400. The surrender charge at the end of the second year would equal $120 (the annual premium of $300 times 40%). The $120 surrender charge would then be subtracted from the cash value of $400 to give you a cash surrender value of $280.

Universal Life Insurance Features

Universal Life Insurance is a flexible plan of life insurance that provides that a guaranteed interest rate will be credited to the cash value each year. UnumProvident may credit additional interest at its discretion. This plan of life insurance is also designed to charge current cost of insurance rates against the cash value. These current rates will never be greater than the guaranteed cost of insurance rates.

Premiums for the State of Tennessee optional universal life insurance were determined using the interest rate and cost of insurance charges in effect beginning on January 1, 2000. For most issue ages, these level premiums are designed to produce insurance which is 90% paid up at attained age 65 using these interest and cost of insurance assumptions. If either the current credited interest rate or current cost of insurance charges are changed in the future, the premium to be paid may need to be adjusted in order to achieve the paid up insurance target at age 65. The actions you take, such as making a policy loan or a partial surrender, may require adjustments in the premium to be paid to achieve the same level of paid up insurance at age 65.

Level Premiums

The premiums for optional universal life insurance will remain the same during your participation in the plan and will not increase, unless you increase the amount of coverage or authorize an increase in the premiums.

Unscheduled Payments ("Pour-ins")

You may elect to deposit additional funds into your optional universal life insurance to "speed up" the growth of the plan's cash value. Additional details regarding this feature are included in the optional universal life insurance certificate and subject to IRS Regulations.

Continuation of Coverage

If you are enrolled in the optional universal life insurance, UnumProvident will contact you directly at your last known address if you terminate employment to notify you of your options. If your dependent spouse or child becomes ineligible to maintain coverage, submit a Customer Service Request Form (L-52490) to UnumProvident, which is available from your insurance preparer.

Spouse coverage is a stand-alone certificate and can be directly billed or converted to a individual direct pay universal life policy even if the employee coverage is cancelled.

Child term coverage attached to a spouse optional universal life certificate will cancel automatically if the spouse's coverage is canceled. Child term coverage can be converted to an individual direct-pay policy when the child reaches age 24. You must submit a Customer Service Request Form (L-52490) to UnumProvident which is available from your insurance preparer.

If you terminate employment with the State, you have three options with the optional universal life insurance:

(1) to withdraw the cash value of the certificate;

(2) to continue with the optional universal life insurance on a direct billing basis with UnumProvident; or

(3) to use the cash value to support premium payments.

You may elect to continue your universal life coverage regardless of your age. UnumProvident will contact you at your last known address.

Premiums

Premiums for Employee or Spouse

Premiums for optional universal life insurance are based upon the age of the person being covered and UnumProvident WILL NOT increase your premium during your participation in the plan. You will pay the monthly premium which relates to your age on the day coverage becomes effective for you. The premium schedule in this booklet applies to new employees and spouses as well as employees and spouses who enroll during the annual enrollment period. These premiums will be effective January 1, 2000. However, you may need to adjust your monthly premium in the future to achieve the desired level of paid up insurance.

New Employee/Spouse

As a new employee/spouse, you will pay a monthly premium based on your age as of the date coverage is issued.

Annual Enrollment/Transfer Period

If you apply for coverage during the annual enrollment/transfer period, your premium will be based on the age as of the date coverage is issued.

Premiums for Dependent Children

Premiums for your dependent children are a flat rate for all eligible children and do not increase with age. The cost per month is 50 cents for $2,500 in coverage or $1 for $5,000 in coverage. No administrative fee is charged for dependent children's coverage.

Optional Universal Life Insurance

Monthly Premium Rates per $1,000 of Face Amount*
Effective January 1, 2000

Age Last Birthday	Monthly Rate	Age Last Birthday	Monthly Rate
15	0.21	46	1.22
16	0.22	47	1.32
17	0.23	48	1.44
18	0.24	49	1.55
19	0.25	50	1.66
20	0.26	51	1.86
21	0.27	52	2.08
22	0.29	53	2.29
23	0.30	54	2.51
24	0.32	55	2.72
25	0.33	56	2.82
26	0.35	57	2.91
27	0.37	58	3.01
28	0.38	59	3.10
29	0.40	60	2.86
30	0.42	61	3.02
31	0.45	62	3.18
32	0.48	63	3.34
33	0.50	64	3.50
34	0.54	65	3.66
35	0.57	66	3.87
36	0.61	67	4.07
37	0.65	68	4.28
38	0.70	69	4.48
39	0.74	70	4.69
40	0.79	71	4.97
41	0.85	72	5.25
42	0.91	73	5.53
43	0.98	74	5.81
44	1.05	75	6.09
45	1.11		

*To determine the Total Monthly Premium, please add $1 per month administrative charge after the number of thousands of coverage has been multiplied by the appropriate Rate Per Thousand from the table.

Employee or Spouse Premium Calculation Worksheet for Optional Universal Life Insurance

I . Enter your age.

2. Enter the number of thousands of dollars of optional universal life insurance desired. (Example: For $35,000 use 35.)

3. Enter the monthly premium rate per 1,000 from the rate chart for your age.

4. Multiply item 2. by item 3.

5. Add $1.00 for the monthly optional universal life administrative charge.

6. This is the total monthly optional universal life premium.

Dependent Children Coverage

1. You can elect either $2,500 or $5,000 in coverage on your eligible dependent children.

2. The cost per month regardless of the number of dependent children covered is:

   $ .50 for $2,500 in coverage;
   $1.00 for $5,000 in coverage.

   (There is no administrative charge for dependent children's coverage.)

3. The amount in the "monthly cost" is the amount that will be deducted from your paycheck every month to pay for your dependent children's coverage.

Total Costs

To find your total monthly universal life premium deduction, enter the total "monthly cost" figures from the above calculations and add.

Employee Monthly Cost	$ ________
Spouse Monthly Cost	$ ________
Dependent Children Monthly Cost	$ ________
Total Monthly Premium (deducted from your paycheck)	$ ________

Optional Universal Life Insurance

Example

John Smith is a new employee and wants to apply for optional universal life insurance during his initial enrollment period (by the end of his first full calendar month of employment). To apply for coverage, John should follow the steps listed below:

1. John is 35 years old and began work for the State of Tennessee on the first day of the month. He will have until the last day of the same month to apply for optional life insurance coverage and to receive up to the guaranteed issue amount of coverage without completing a supplemental application.
2. John makes an annual base salary of $13,462. John would like to apply for the guaranteed issue amount of coverage. The guaranteed issue amount is $45,000. ($13,462 x 3 = $40,386–rounded off to the next higher $5,000 increment–$45,000)
3. The maximum amount of coverage which John may apply for is five times his annual base salary, rounded off to the next higher $5,000. For example: $13,462 multiplied by five equals $67,310; rounded off to the next higher $5,000 equals $70,000 maximum coverage. (If John did choose to apply for the maximum issue amount, he would be approved automatically for the first $45,000, but would have to complete a supplemental application and wait for approval from UnumProvident before the remaining $25,000 of coverage would be issued.)
4. To determine the monthly premium per $1,000 of coverage, John must refer to the rates for the monthly premium rates per $1,000. In his case, for a 35-year-old, the rate per $1,000 is fifty-seven cents ($.57).
5. John then multiplies the rate per $1,000 by the amount of coverage being applied for.

   $45,000
   <u>x $0.57</u> (rate per thousand)
   $ 25.65
6. To the $25.65, John must then add the $1 per month administrative fee.
7. The total monthly optional universal life insurance premium which will be deducted from John's paycheck is $26.65.

FORMS REQUIRED

M-95090 Optional Universal Life Application

1. If you want to apply for optional universal life.

M-95201 Optional Term Life Application

1. If you want to apply for optional term life.

M-95202 Supplemental Application for Optional Life Insurance

1. If you want to obtain insurance more than the guaranteed issue amount.
2. If your spouse has been hospitalized, advised to seek medical treatment, or received disability benefits during the last six months.
3. If you do not elect coverage on your spouse and/or children within the 31-day initial enrollment period.

L-52490 Customer Service Request Form

1. If you wish to change your beneficiary.
2. If you wish to cancel your coverage.
3. If your spouse or child becomes ineligible to maintain coverage.
4. If you would like to use the loan feature.

Notes

Products underwritten by the following subsidiary of UnumProvident Corporation.

Provident Life and Accident Insurance Company
1 Fountain Square, Chattanooga, TN 37402

www.unumprovident.com

CU-1302 (9-03)